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CLAIBORNE INDUSTRIES LIMITED

Annual Report 1975



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Claiborne Industries Limited
P.O. Box 400,
REXDALE, Ontario.

Dear Shareholder:

April 7, 1976

I am pleased to report that the earnings of your Company for the fiscal year ending September 30th, 1975 after allowances for bad debts was \$507,027.00, or 40¢ per share. Total revenue of our operating company increased from \$6,103,178 to \$8,870,500 in a year that saw a down-trend in the construction industry.

From indications to date, we anticipate that revenue and profits in the current fiscal year ending September 30th, 1976 will be similar to the year just completed. After the close of the fiscal year our subsidiary Rocamora Corporation Limited, which is an amalgamation of three of our non-operating companies, made a substantial investment in Creative Patents & Products Limited, a product development corporation. We are hopeful that within the next three months, the initial product manufactured by Creative Patents & Products Limited will be available for distribution. The product, a portable dictating unit, appears to have excellent potential and will be priced competitively.

In January, 1976, we further reduced the potential dilution of the shares of your Company by purchasing for cancellation \$110,000 Series "B" debentures that were convertible.

We would like to take this opportunity of thanking our employees and all other persons associated with our Company for the conscientious efforts made during 1975.

On behalf of the Board,

James H. Black
Chairman of the Board.

AUDITORS' REPORT

To the Shareholders of
Claiborne Industries Limited

We have examined the consolidated balance sheet of Claiborne Industries Limited as at September 30, 1975 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 29, 1976

Thorne Riddell & Co.
Chartered Accountants

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CLAIBORNE INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

YEAR ENDED SEPTEMBER 30, 1975

| | <u>1975</u> | <u>1974</u> |
|--|--------------------|--------------------|
| Sales | \$8,870,500 | \$6,103,178 |
| Cost of sales | <u>6,699,742</u> | <u>4,591,871</u> |
| Gross profit | <u>2,170,758</u> | <u>1,511,307</u> |
| Expenses | | |
| Selling, administrative and general | 1,442,360 | 807,568 |
| Interest on long term debt | 125,855 | 103,773 |
| Other interest | 128,008 | 121,804 |
| Depreciation | <u>38,706</u> | <u>29,955</u> |
| | <u>1,734,929</u> | <u>1,063,100</u> |
| Earnings from operations | 435,829 | 448,207 |
| Other income | | |
| Interest and dividends | <u>88,311</u> | <u>88,053</u> |
| Earnings before income taxes and extraordinary items | 524,140 | 536,260 |
| Income taxes | <u>308,342</u> | <u>340,913</u> |
| Earnings before extraordinary items | <u>215,798</u> | <u>195,347</u> |
| Extraordinary items | | |
| Loss on investments | (24,871) | |
| Loss on sale of patents | | (20,784) |
| Reduction of income taxes due to application of prior years' losses | 306,100 | 320,000 |
| Gain on retirement of debenture | 10,000 | |
| Recovery of debenture principal previously written off | | 14,875 |
| | <u>291,229</u> | <u>314,091</u> |
| NET EARNINGS FOR THE YEAR | 507,027 | 509,438 |
| DEFICIT AT BEGINNING OF YEAR | <u>2,514,389</u> | <u>3,023,827</u> |
| DEFICIT AT END OF YEAR | <u>\$2,007,362</u> | <u>\$2,514,389</u> |
| EARNINGS PER SHARE (note 9) | | |
| Before extraordinary items | \$.17 | \$.16 |
| After extraordinary items | .40 | .40 |

CLAIBORNE INDUSTRIES LIMITED
(Incorporated under The Companies Act of Alberta)

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1975

| ASSETS | <u>1975</u> | <u>1974</u> |
|--|--------------------|--------------------|
| CURRENT ASSETS | | |
| Cash | \$ 161,094 | \$ 81,303 |
| Accounts receivable | 1,659,171 | 1,819,003 |
| Due from a company controlled by a director and officer | | 1,255,726 |
| Inventories, at the lower of cost and net realizable value | 1,588,934 | 1,644,868 |
| Deferred charges and prepaid expenses | 18,733 | 60,200 |
| Current portion of mortgage receivable | 138,350 | |
| | <u>3,427,932</u> | <u>4,999,450</u> |
| ADVANCES, to a shareholder and to companies which are related to directors, officers or shareholders of the company, with no fixed terms of repayment (note 3) | 936,212 | |
| INVESTMENTS (note 4) | 413,529 | 464,384 |
| FIXED ASSETS (note 5) | <u>493,036</u> | <u>514,061</u> |
| | <u>\$5,270,709</u> | <u>\$5,977,895</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank indebtedness (note 6) | \$1,210,000 | \$1,638,278 |
| Accounts payable and accrued liabilities | 749,748 | 1,178,980 |
| Due to broker (note 4) | 128,554 | |
| Income and other taxes payable | 13,087 | 291,845 |
| Current portion of long term debt | 352,382 | 350,145 |
| | <u>2,453,771</u> | <u>3,459,248</u> |
| LONG TERM DEBT (note 7) | <u>1,144,446</u> | <u>1,353,182</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (note 8) | | |
| Authorized | | |
| 4,000,000 Class "A" non-voting, fully participating shares of no par value | | |
| 2,000,000 Common shares of no par value | | |
| Issued | | |
| 1,255,421 Common shares | 3,655,814 | 3,655,814 |
| CONTRIBUTED SURPLUS | 24,040 | 24,040 |
| DEFICIT | (2,007,362) | (2,514,389) |
| | <u>1,672,492</u> | <u>1,165,465</u> |
| Approved by the Board | <u>\$5,270,709</u> | <u>\$5,977,895</u> |
| James H. Black, Director | | |
| Jack E. Marrott, Director | | |

current assets = 1.4
current liabilities not 1.0

CLAIBORNE INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1975

| | <u>1975</u> | <u>1974</u> |
|---|-------------------|--------------------|
| WORKING CAPITAL DERIVED FROM | | |
| Operations | \$ 560,604 | \$ 545,302 |
| Issue of long term debt - 10½% mortgage | 350,000 | |
| - other | 11,002 | |
| - series B debentures | | 905,000 |
| Issue of series A debentures on acquisition of subsidiary (net of fixed assets and long term debt acquired) | | 316,921 |
| Proceeds on the sale of investments | 25,984 | |
| Increase in current portion of mortgage receivable | | 144,278 |
| Proceeds on disposal of patents, fixed assets and goodwill | | 54,000 |
| Recovery of debenture principal | | 14,875 |
| Issue of shares | | 62,250 |
| | <u>947,590</u> | <u>2,042,626</u> |
| WORKING CAPITAL APPLIED TO | | |
| Reduction of long term debt | 559,738 | 402,874 |
| Advances (note 3) | 936,212 | |
| Purchase of fixed assets | 17,681 | 9,230 |
| Investment reclassified as non-current assets | | 464,384 |
| | <u>1,513,631</u> | <u>876,488</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL | (566,041) | 1,166,138 |
| WORKING CAPITAL AT BEGINNING OF YEAR | <u>1,540,202</u> | <u>374,064</u> |
| WORKING CAPITAL AT END OF YEAR | <u>\$ 974,161</u> | <u>\$1,540,202</u> |

~~1.7~~ $\frac{1.7}{3.5} = \frac{1}{2.07}$ not good,
 like to see 1 to 1.

CLAIBORNE INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEAR ENDED SEPTEMBER 30, 1975

9. EARNINGS PER SHARE

Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year. Fully diluted earnings per share, assuming the conversion of the convertible debentures, is \$.17 before extraordinary items and \$.38 after extraordinary items.

10. LOSSES CARRIED FORWARD

At September 30, 1975 the company and certain subsidiaries have the following available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

Losses carried forward on a tax filing basis available until September 30:

| | | |
|------|---|---------------------------------------|
| 1976 | - | \$ 71,500 |
| 1977 | - | 64,400 |
| 1978 | - | 123,600 |
| 1979 | - | 42,300 |
| 1980 | - | <u>45,900</u> (current year's losses) |
| | | <u>\$347,700</u> |

11. SUBSEQUENT EVENTS

Subsequent to September 30, 1975:

- (i) the company and its subsidiaries sold their marketable securities for \$413,529
- (ii) a subsidiary obtained second mortgage financing, at 15%, on its land and building in the amount of \$150,000
- (iii) a subsidiary agreed to purchase \$200,000 10% First Floating Charge Debentures, Series "A", (to which are attached warrants to acquire 300,000 shares) and 425,000 escrowed shares (a 38.2% interest) of Creative Patents & Products Limited for \$242,500. The warrants are exercisable at \$1.00 per share to September 30, 1976 and in amounts increasing by \$.20 annually thereafter to September 30, 1979 and by \$.40 to their expiry September 30, 1980.

Creative Patents & Products Limited is a public company whose principal assets are patents and inventions, together with related product research and development.

- (iv) a subsidiary issued 11% debentures due January 13, 1981, as follows:

\$125,000 in exchange for \$100,000 of series A debentures of the company

\$110,000 in exchange for \$110,000 of series B debentures of the company

\$ 60,000 for cash of \$55,800

- (v) the company and its subsidiaries made further advances as described in note 3.
- (vi) The Government of Canada enacted Anti-Inflation legislation which provides for the restraint of dividends from October 14, 1975.

12. OTHER STATUTORY INFORMATION

Remuneration of directors and officers was \$74,000 (1974, \$37,172).



